6095

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2009
with
INDEPENDENT AUDITORS' REPORT

HORTON, LEE, BURNETT, PEACOCK,
CLEVELAND & GRAINGER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

HORTON, LEE, BURNETT, PEACOCK,
CLEVELAND & GRAINGER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SUITE 500
3800 COLONNADE PARKWAY
BIRMINGHAM, ALABAMA 35243

COOPER M. HORTON, JR., C.P.A.
H B. LEE, JR., C.P.A.
H WAYNE BURNETT, C.P A
JAMES LAMAR PEACOCK, JR., C P.A.
D. GROVER CLEVELAND, C P A., C V.A.
J. THOMAS GRAINGER, C.P.A.
H.B. LEE III, C.P.A
PATRICIA H. OH, C.P.A., C V.A.
BRIAN W. BURNETT, C P.A

MICHAEL SPERANDO, C.P.A.
MARIA L. ESTERS, C P.A
MARY ANN C. BURKHALTER, C.P A., C.V A

TELEPHONE (205) 967-9744
FACSIMILE (205) 967-9745

JOSEPH L. BLAKEY, C.P.A.
JOHN N. BROWN, IV, C P A
H LEE BENSON, C.P.A.
EMILY D. MYERS, C.P A
ANITA H CUSIMANO, C.P.A

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES
PRACTICE SECTION

Independent Auditors' Report

The Board of Directors
University Facilities, Inc.
Hammond, Louisiana

We have audited the accompanying statement of financial position of University Facilities, Inc. (the Organization) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Facilities, Inc. as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Horton, Lee, Burnett, Peacock,
Cleveland & Grainger, P.C.

October 6, 2009

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENT OF FINANCIAL POSITION
June 30, 2009

ASSETS

Current assets:		
Cash	$	191,293
Investment - bond reserves		4,744,928
Investment - capital reserves		6,916,338
Accounts receivable - other		1,430,668
Deferred charges		3,043
Prepaid insurance		31,531
Total current assets		13,317,801
Restricted for debt service:		
Investment - debt service reserves		5,760,770
Property and equipment, net		63,622,721
Other assets:		
Construction in progress		111,406
Debt issuance costs, net		3,402,449
Total other assets		3,513,855
	$	86,215,147

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and other accrued expenses	$	61,200
Construction cost payable		479,892
Unearned income		80,516
Interest payable		1,306,354
Current maturities of long term debt		2,735,000
Total current liabilities		4,662,962
Long-term liabilities:		
Tax-exempt bonds payable, net		79,703,096
Bond premium, net		258,835
Total long-term liabilities		79,961,931
Net assets, unrestricted		1,590,254
	$	86,215,147

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Revenues	
Housing rental income	$ 9,827,676
Other rental income	2,917,480
Interest income	91,127
Other income	461,307
Total revenues	13,297,590
Expenses	
Amortization expense	133,634
Depreciation expense	1,877,774
Grounds/building maintenance	715,560
Insurance	352,342
Interest expense	3,432,405
Payroll expenses	1,425,861
Professional fees	93,789
Rental	346,171
Surplus expense	2,906,706
Telephone	843,129
Travel	5,763
Utilities	988,103
Total expenses	13,121,237
Change in net assets	176,353
Net assets	
Beginning of the year	1,413,901
End of the year	$ 1,590,254

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

Operating activities	
Change in net assets	$ 176,353
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	2,011,408
Gain on disposal of asset	(12,579)
Amortization of bond premium	(58,524)
Decrease in accounts receivable - other	514,057
Increase in deferred charges	(3,043)
Decrease in prepaid insurance	3,497
Decrease in accounts payable and other accrued expenses	(1,013,314)
Increase in unearned income	80,516
Decrease in accrued interest payable	(22,308)
Total adjustments	1,499,710
Net cash provided by operating activities	1,676,063
Investing activities	
Net purchases of short term investments	4,115,272
Payments for construction in progress	(4,644,982)
Net cash (used in) investing activities	(529,710)
Financing activities	
Repayment of bonds payable	(1,160,000)
Net cash (used in) financing activities	(1,160,000)
Net decrease in cash and cash equivalents	(13,647)
Cash and cash equivalents	
Beginning of year	204,940
End of year	$ 191,293
Supplemental disclosure of cash flow information	
Cash paid for interest from operating activities	$ 3,373,555

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – FORMATION, OWNERSHIP AND BUSINESS OF THE ORGANIZATION

The Organization

University Facilities, Inc. (the "Organization") is a private nonprofit organization and is formed to promote, assist, and benefit the mission of Southeastern Louisiana University (the "University") through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management, leasing of student housing or other facilities on the campus of Southeastern Louisiana University. The facilities of the Organization are currently operated under the management of the University.

The Organization is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Series 2004 Bonds

In 2004, the Organization participated in bond issuance by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $76,910,000 in revenue bonds (Series 2004) which will be payable solely from the revenues of the Organization. The revenue bonds were issued pursuant to a Trust Indenture dated August 1, 2004, between the Issuer and the Bond Trustee. The proceeds of the primarily tax-exempt bonds were loaned to the Organization pursuant to a Loan Agreement dated as of August 1, 2004 between the Issuer and the Organization and were used to construct the facilities. To secure the Organization's obligations to repay the moneys loaned, the Organization executed a Mortgage, Assignment of Leases and Security Agreement. The Organization granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under the leases. The underlying property on which the housing project is located is leased to the Organization by a Ground and Building Lease Agreement. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the "Board") under a facilities lease agreement. At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University.

Series 2007 Bonds

In 2007, the Organization participated in a second bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $8,035,000 in revenue bonds (Series 2007). The proceeds from the issuance of the Series 2007 Revenue bonds were used to finance a portion of the cost of construction of a new intermodal parking facility ("Phase Four Facilities") on the campus of Southeastern Louisiana University. The revenue bonds were issued pursuant to a Trust Indenture dated March 1, 2007, between the Issuer and the Bond Trustee. The proceeds of the tax-exempt bonds were loaned to the Organization pursuant to a Loan Agreement dated as of March 1, 2007 between the Issuer and the Organization and were used to construct the facilities. To secure the Organization's obligations to repay the moneys loaned, the Organization executed an Assignment of Agreements and Documents. The Organization granted to the Trustee, first

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – FORMATION, OWNERSHIP AND BUSINESS OF THE ORGANIZATION (CONTINUED)

Series 2007 Bonds (continued)

priority security interest in the leases and subleases affecting the Phase Four Facilities, including, without limitation, the Phase Four Facilities Lease and all revenue rentals, and other sums due or becoming due under the leases. The underlying property on which the Phase Four Facilities and the Stadium Expansion is located is leased to the Organization by the Board pursuant to the First Amendment to Ground and Building Lease Agreement dated March 1, 2007. The Phase Four Facilities will be leased back to the Board pursuant to the First Amendment to Agreement to Lease with Option to Purchase, as amended and dated March 1, 2007. At such time as the financing for the Phase Four Facilities is paid in full, the obligation is cancelled and the interest in the Intermodal facility and the underlying property is conveyed to the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred.

Tenant accounts receivable

The University maintains the tenant accounts receivable and allowance for doubtful accounts for the Organization. The University collects rents from students and remits the estimated revenues to the Organization based on occupancy. Uncollectible accounts are absorbed by the University and are not recognized by the Organization. The University bears all risks of the collections of the tenant accounts. Based on these factors, there is no tenant accounts receivable outstanding at June 30, 2009.

Unrestricted net assets

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-For-Profit Organizations*.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Advertising

Advertising costs are expensed as incurred. There were no advertising costs for the year ended June 30, 2009.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Organization leases residential beds based on annual lease agreements. Tenants are billed at the beginning of the semester for the semester's portion of the lease and the Organization recognizes revenue at that time. The Organization also leases the intermodal facilities to the University under a "Facilities Lease" agreement. The University is billed monthly and the Organization recognizes revenue at that time.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash on hand and unrestricted temporary investments purchased with an initial maturity of three months or less, except for Treasury bills, commercial paper, and other short-term financial instruments included in the Organization's investment account which are primarily held for investment in long-term assets, to be cash and cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

Property and equipment

The Organization capitalized all property and equipment acquisitions in excess of $5,000. Property and equipment are capitalized at cost and are being depreciated over the estimated useful life of the respective asset. Maintenance and repairs are charged to expense as incurred while additions and betterments are capitalized. Depreciation is computed using the straight-line method with estimated useful lives of thirty and forty years for buildings and seven years for furniture and equipment.

Property and equipment is comprised of the following at June 30, 2009:

	Cost	Accumulated Depreciation	Net Book Value
Capital assets			
Building and building improvements	$ 58,483,396	$ 12,392,041	$ 46,091,355
Land improvements	2,791,647	-	2,791,647
Stadium and intermodal parking facilities	13,986,209	291,379	13,694,830
Weight room	1,043,289	-	1,043,289
Furniture and equipment	58,637	58,637	-
Portable building	5,332	3,732	1,600
	$ 76,368,510	$ 12,745,789	$ 63,622,721

Depreciation expense was $1,877,774 for the year ended June 30, 2009.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded based upon interest expense incurred on the Organization's borrowings, offset by the investment income earned on the related bond proceeds. The net amount of capitalized interest at June 30, 2009 was $53,955.

Cash paid for interest, for purposes of the statement of cash flows, is disclosed net of the amount capitalized for the year ended June 30, 2009.

In 2007, the Organization entered into an agreement with the University to construct an Intermodal Parking Facility/Stadium Project. In March 2007, the Organization secured financing and began construction of the facility which will be leased back to the University. The revenues generated by this facility are used to pay for the financing of the project. Construction costs related to this project incurred during the year ended June 30, 2009 amounted to $1,824,459. In September 2008, the Intermodal Parking Facility/Stadium Project was complete and total construction costs in the amount of $13,986,209 were capitalized and are included in these financial statements under property and equipment as "Stadium and intermodal parking facilities."

During 2009, the Organization completed construction on a weight room at Southeastern Louisiana University for the benefit of the University. Total construction/design costs in the amount of $1,043,289 were capitalized and included in these financial statements at June 30, 2009 under capital assets. Subsequently, the weight room facility lease agreement between the University and the Organization expired July 1, 2009, at which time the weight room was donated to the University without obligation to the Organization.

Construction in progress at June 30, 2009 represents design costs incurred in the student union renovation and expansion project as discussed in note 11.

Debt issuance costs, net

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the associated bonds. These costs are shown net of accumulated amortization of $604,894 at June 30, 2009. A portion of the amortization of these costs is reflected as part of the overall construction costs of the Organization, until the related assets are placed in service.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements

Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* was issued in 2006 and defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 was effective for the Organization's financial assets and liabilities for the year ended June 30, 2009. The FASB approved a one-year deferral of the adoption of SFAS No. 157 as it relates to non-financial assets and liabilities measured at fair value on a nonrecurring basis with the issuance in February 2008 of Financial Accounting Standards Board ("FASB") Staff Position FAS No. 157-2, as a result of which implementation by the Organization is now required for the year ending June 30, 2010. The partial adoption of SFAS No. 157 in 2009 had no material impact on the financial position, statement of activities or cash flows, but resulted in certain additional disclosures reflected in Note 4. The Organization is in the process of evaluating SFAS No. 157 as it relates to non-financial assets and liabilities but does not believe it will have a material impact on the financial statements.

Subsequent events

Subsequent events have been evaluated through October 6, 2009 which is the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances with creditworthy, high quality, financial institutions located in several states. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Periodically, the Organization maintains deposits in excess of federally insured limits. At June 30, 2009, there were no uninsured demand and time deposit balances. The balances in investments – bond reserves are invested according to bond documents, which work to mitigate the credit risk of those investments.

NOTE 4 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Organization has adopted the provisions of SFAS No. 157 during for the year ended June 30, 2009 for its financial assets and liabilities. Although having partially adopted SFAS No. 157 has had no material impact on financial position, statement of activities or cash flows, the Organization is now required to provide additional disclosures. SFAS No. 157 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Prices for certain cash equivalents, such as money market mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis as Level 2 or Level 3, and there were no transfers in and out of Level 2 or Level 3 during the year ended June 30, 2009.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 4 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table sets forth by levels within SFAS No. 157's fair value hierarchy the Organization's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2009. As required by SFAS No. 157, assets and liabilities are classified in the entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Assets at Fair Value as of June 30, 2009		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Investment - bond reserves			
Money Market Funds	$ 4,744,928	$ -	$ -
Investment - capital reserves			
Money Market Funds	$ 6,916,338	$ -	$ -
Investment - debt service reserves			
Money Market Funds	$ 5,760,770	$ -	$ -

The determination of fair value above incorporates various factors required under SFAS No. 157.

Under the terms of the Trust Indentures and Loan Agreements, various funds such as Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These documents govern the types of investments and requirements for collateralization. The funds held by the Bond Trustee consist of money market investments, securities that are primarily issued by the U.S. Government and various other financial instruments.

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverage.

During the construction period, investment income is used to offset capitalized interest for the project. Once the project becomes operational, investment income is reported as a change in net assets. Information necessary to report the proceeds of sales and purchases of investments for the statement of cash flows is not meaningful due to the nature of the investments and the large volume of transactions.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 - ACCOUNTS RECEIVABLE - OTHER

Accounts receivable - other consist of the following at June 30, 2009:

Due from University	$	1,420,017
Laundry commission		10,317
Interest receivable		334
	$	1,430,668

NOTE 6 - GROUND LEASE

Pursuant to the First Amendment to Ground and Buildings Lease Agreement between the Organization and the Board, the Organization (the Lessee) will lease the land on which the housing facilities and the intermodal facilities are located from the Board of Supervisors of the University of Louisiana System (the Lessor), for the term beginning March 1, 2007 through August 1, 2047. The lease requires $1 annually in advance.

NOTE 7 – FACILITIES LEASE

Under the Agreement to Lease with Option to Purchase dated as of August 1, 2004, as amended by the First Amendment to the Agreement to Lease with Option to Purchase, dated March 1, 2007 (the "Facilities Lease"), the Organization will lease certain facilities to the Board for a term of forty (40) years. The rental payment under the Facilities Lease will be supported by the Board and will be equal to any "shortfall" in the payment of the principal and interest due on the Series 2004 and the Series 2007 Bonds, the amounts required to be deposited in the various funds or accounts established under the Trust Indentures, and all other expenses arising out of or relating to the ownership or operation of the certain facilities or the issuance of the Series 2004 and Series 2007 Bonds, but only to the extent of Auxiliary Revenues as designated by the Board in its budget process. The Organization's rights under the Facilities Lease will be assigned to the Trustee as security for the payment of the Series 2004 and Series 2007 Bonds. Rental payments received under the Facilities Lease amounted to $2,491,184 for the year ended June 30, 2009, respectively.

NOTE 8 – LONG-TERM DEBT

Bonds payable

On August 13, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $76,910,000 of taxable and non-taxable Series 2004 Bonds pursuant to an Indenture of Trust between the Issuer and The Bank of New York Trust Company, N.A. (the Trustee). The issuance of both tax-exempt and taxable bonds was due to the percentage limitation on the amount of tax-exempt bond proceeds that can be used to pay transaction expenses and still maintain a tax-exempt status.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Bonds payable (continued)

On March 14, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $8,035,000 of non-taxable Series 2007 Bonds pursuant to an Indenture of Trust between the Issuer and The Bank of New York Trust Company, N.A. (the Trustee).

Pursuant to loan agreements between the Issuer and the Organization, the Issuer has loaned the proceeds of the Series 2004 and the Series 2007 Bonds to the Organization. The proceeds the Series 2004 Bonds financed the construction of a new residential facility and renovation of an existing student housing facility owned by the Organization, provided working capital for marketing and operation the new and renovated facilities, funded interest on the bonds during the construction and renovation period, funded a Debt Service Reserve Fund, and paid the cost of issuing the bonds. The proceeds the Series 2007 Bonds financed the construction of a new intermodal parking facility, funded a Debt Service Reserve Fund, and paid the cost of issuing the bonds.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Organization and the Trustees, the Organization grants to the Trustee first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the facilities of the Organization. The Organization also assigned to the Trustee its rights under various agreements and contracts. Pursuant to the Indentures, the Issuer assigned all of their interest in the loan agreements to the Trustee to secure the Bonds.

Long-term debt consists of the following at June 30, 2009:

$5,545,000 tax-exempt term bonds payable dated March 14, 2007; due at various intervals through February 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.2029%; secured by leasehold deed and assignment of rents.	$ 5,235,000
$2,490,000 tax-exempt term bonds payable dated March 14, 2007; due at various intervals through February 1, 2037; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.3750%; secured by leasehold deed and assignment of rents.	2,490,000
$60,985,000 tax-exempt term bonds payable dated August 1, 2004; due at various intervals through August 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.0000%; secured by leasehold deed and assignment of rents.	59,790,000

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 – LONG-TERM DEBT (CONTINUED)

$15,000,000 tax-exempt auction rate bonds payable dated August 1, 2004; due at various intervals through August 1, 2034; payable in weekly installments of interest and annual installments of principal; interest rate based on 175% of the SIFMA rate as determined weekly; secured by leasehold deed and assignment of rents.	$	15,000,000
Less unamortized discount on bonds payable		(76,904)
		82,438,096
Less current maturities		(2,735,000)
	$	79,703,096

Net unamortized discount

The net bond discount recognized upon the issuance of the bonds is being amortized over the life of the bonds using the effective interest method.

Maturities of long-term debt at June 30, 2009 are as follows:

		Series 2004 Tax-exempt bonds payable		Series 2007 Tax-exempt bonds payable
2010	$	1,170,000	$	1,565,000
2011		1,325,000		155,000
2012		1,500,000		160,000
2013		1,680,000		170,000
2014		1,885,000		175,000
2015 and thereafter		67,230,000		5,500,000
	$	74,790,000	$	7,725,000

NOTE 9 – BOND PREMIUM PAYABLE

The bond premium received upon the issuance of the 2004 bonds is being amortized over the life of the bonds using the effective interest method. Annual amortization will be charged against "Interest Expense". The bond premium is shown net of accumulated amortization of $255,542.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 10 – SUBSEQUENT EVENTS

In May 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS" No. 165, *Subsequent Events*, ("SFAS No. 165"). The Organization has adopted SFAS No. 165 which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, SFAS 165 provides: the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. Management has evaluated subsequent events though the issuance of these financial statements on October 6, 2009.

On August 1, 2009, the Organization paid additional principal in the amount of $1,415,000 on the Series 2007 bonds. This was an early payment of principal on the B issuance of the Series 2007 bonds, which was not scheduled to begin until February 2032.

The Series 2004 and the Series 2007 Bonds are insured by MBIA Insurance Corp. which is a principal operating subsidiary of MBIA, Inc., a New York Stock Exchange listed company. On September 28, 2009, Standard & Poor's downgraded its ratings of MBIA, Inc. and MBIA Insurance Corp. which may have an adverse affect on the market price and interest rates of the Series 2004 and the Series 2007 Bonds.

NOTE 11 – STUDENT UNION RENOVATION AND EXPANSION PROJECT

Southeastern Louisiana University, in partnership with University Facilities, Inc., will engage in a Student Union renovation and expansion project. A preliminary construction budget of approximately $31,000,000 has been established and approved by the Board. Issuances of approximately $35,770,000 of revenue bonds are proposed to provide funds for this project and are expected to be issued in 2010. A construction start date of fall 2010 and a completion date of fall 2012 are projected. Design costs incurred during for the year ended June 30, 2009 amounted to $111,406 and are included in these financial statement as "Construction in progress".

NOTE 12 – DEBT SERVICE COVERAGE RATIO

Under the terms of Facilities Lease Agreement between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated August 1, 2004, the Board covenants and agrees to operate the student housing and related facilities (the "Facilities") as revenue producing facilities sufficient to produce a Debt Service Coverage Ratio for the Facilities of at least 1.10:1.00 in each fiscal year. In the event that either of the Debt Service Coverage Ratio for the Facilities falls below 1.10:1.00 or the Debt Service Coverage Ratios for the University falls below 1.25:1.00, the Board will use its best efforts to raise rates and/or reduce expenses related to the Facilities so that within two full semesters after either of the Debt Service Coverage Ratios becomes deficient, the Debt Service Coverage Ratio for the Facilities equals 1.10:1.00 and the Debt Service Coverage Ratio for the University equals 1.25:1.00. If, at that time, either of the Debt Service Coverage Ratios are still deficient, the Board must employ an outside consultant, approved by the Bond Insurer, for the purpose of recommending changes in the operating and management policies of the Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2009, the debt service coverage ratio for the Facilities was 1.44:1.00.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 12 – DEBT SERVICE COVERAGE RATIO (CONTINUED)

Under the terms of the First Amendment to the Facilities Lease Agreement between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated March 1, 2007 (the "Phase Four Facilities Lease"), the board covenants and agrees to operate the Intermodal Parking Facility and Football Stadium ("Phase Four Facilities") as revenue producing facilities sufficient to meet the Phase Four Debt Service Coverage Ratio of at least 1.25:1.00 in each fiscal year. Revenues are determined by student fees collected and held by the University. In the event such Phase Four Debt Service Coverage Ratio is not met, the Board will use its best efforts to raise fees relating to the Phase Four Facilities sufficient to meet the debt coverage ratio within the following two semesters. If, at that time, the Phase Four Facilities Debt Service Coverage Ratio is still deficient, the Board must employ an outside consultant for the purpose of recommending changes in the operating and management of the Phase Four Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2009, the debt service coverage ratio for the Phase Four Facilities was 2.56:1.00.

NOTE 13 – SURPLUS

Under the terms of the Trust Indenture for the Series 2004 Bonds, any amounts remaining in the Receipts Fund on August 1st of each fiscal year, after all required transfers are made, are to be transferred to the Surplus Fund. These funds will then be transferred to the University if the debt coverage ratio for the Facilities is met and the Board and Organization has met all of the debt covenants. During for the year ended June 30, 2009, the June 30, 2008 surplus of $2,906,706, net of outstanding receivables of $1,040,514, was transferred to the University. This amount is included in the statement of activities as "Surplus expense".

NOTE 14 – ARBITRAGE REBATE LIABILITY

The arbitrage rebate liability amount for the $75,985,000 Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2004A and 2004B is an amount calculated based on an analysis of the dollar profit earned from arbitrage that must be paid to the United States Department of Treasury. This amount is recomputed every five years beginning at the "computation date" (the date the bonds are delivered) until the bonds are retired and is based on the excess future value of the investment receipts over the investment payments. At each five-year installment date, the Organization must calculate the arbitrage rebate and yield restriction amounts. The Organization hired a consultant to analyze the first interim computation period which was August 13, 2004 through August 1, 2009. Based on the consultant's calculations, there was no arbitrage rebate or yield restriction liability amount due for the period ended August 1, 2009.